



March 30, 2001

The Honorable Steve Peace, Chair
Join Legislative Budget Committee
State Capitol, Room 3060
Sacramento, CA 95814

Dear Senator Peace:

Pursuant to Government Code Section 14669(c), I am pleased to report that the Department of General Services has entered into two real property leases during calendar year 2000. Each of these leases involves office space and contains an option to purchase.

- Department of Developmental Services (DDS) – A lease was executed in June, 2000 to secure a 57,479 square foot Intermediate Care Facility for DDS in Cathedral City. The lease agreement has a 10-year firm term, 15-year total term, with an option to renew for an additional 15-year period. The rent structure is as follows:

Years 1 through 3	\$96,305.07 per month
Years 4 through 6	\$99,373.81 per month
Years 7 through 9	\$103,777.34 per month
Year 10	\$107,800.87 per month
Years 11 through 12	\$83,344.55 per month
Years 13 through 15	\$87,368.08 per month

The option to purchase is designed to allow the state to purchase the building at any time during the term of the lease or at any point during the 15-year option period. The purchase price is to be calculated by applying a 10 percent capitalization rate to the annual rent in effect at the time of purchase (exclusive of the tenant improvement amortization amount).

- California Highway Patrol (CHP) – A lease was executed in September, 2000 for a new 18,000 square foot modular building to replace the existing 30+ year old CHP Central Los Angeles Area Office. The new modular building is located on property owned by the state for Caltrans' airspace program at the junction of the Interstate 10 and Interstate 110 freeways. The monthly rent of \$56,928.78 remains flat during the entire 10-year firm term. The state has the option to purchase the new facility at the end of the second year at a price of \$2,729,871.52, or at the end of each succeeding year at an amount that decreases annually to a final price of \$1 at the end of the 10th year.

If you have any questions, please contact Phillip J. Salamy, Assistant Chief, Real Estate Services Section, Professional Services Branch, Real Estate Services Division, Department of General Services, at (916) 445-3626.

Very truly yours,

Barry D. Keene, Director
Department of General Services

BDK:jb:sc

cc: See Attached Distribution List #4
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